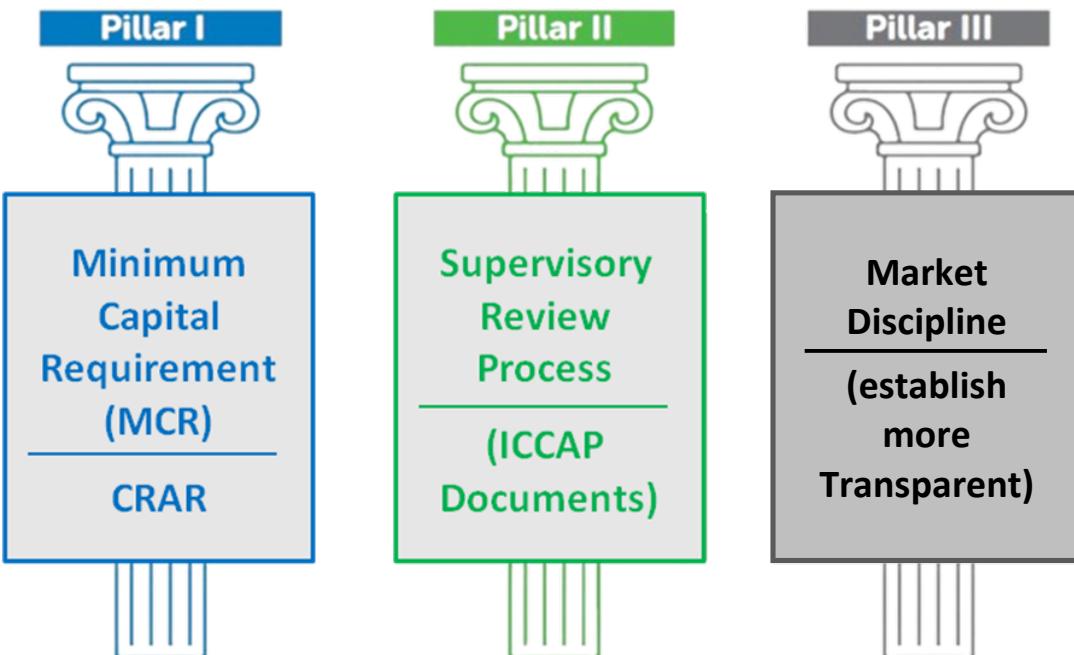


Disclosures on Risk Based Capital (Basel III)

(Based on Audited Financial Statements as on December 31, 2024)



Disclosures on Risk Based Capital (Basel III)

Overview of Pillar 3 Disclosure

Pillar 3 of the Basel III framework is an integral part of the broader Basel Consolidated Framework, which brings together all requirements issued by the Basel Committee on Banking Supervision (BCBS) into a single, cohesive document. It provides detailed disclosures on the fundamental drivers of Risk-Weighted Assets (RWA), capital composition, leverage ratios, liquidity metrics, equity exposures, interest rate risk in the banking book, and other key business parameters. This framework is pivotal in fostering a transparent and disciplined financial market, enabling stakeholders to assess a bank's asset holdings, identify associated risks, and evaluate its capital adequacy.

Consistency and Validation

MBPLC operates under a formal disclosure framework approved by its Board of Directors, incorporating both qualitative and quantitative disclosures in strict compliance with Bangladesh Bank guidelines and directives.

The quantitative disclosures in this report are based on the bank's audited financial statements as of December 31, 2024, with data verifiable against the publicly accessible statements available on the bank's official website (www.mblbd.com).

In accordance with Basel III guidelines, MBPLC applies the 'Standardized Approach' for Credit and Market Risk, and the 'Basic Indicator Approach' for Operational Risk. This comprehensive disclosure is prepared annually and made available to stakeholders through a dedicated link titled "Disclosures on Risk Based Capital (Basel III)" on the Bank's homepage.

Disclosure Framework

In line with the Bangladesh Bank guidelines, following detailed qualitative and quantitative disclosures are prepared covering-

A. Scope of application

Qualitative Disclosures	
(a)	The name of the corporate entity in the group to which the guidelines applies. Mercantile Bank PLC. (MBPLC)
(b)	An outline of difference in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (a) that are fully consolidated; (b) that are given a deduction treatment; and (c) that are neither consolidated nor deducted (e.g. where the investment is risk-weighted). The guidelines outlined in this disclosure apply to Mercantile Bank PLC (MBPLC), the principal corporate entity of the group. MBPLC was incorporated as a public limited company in Bangladesh on May 20, 1999, and commenced operations on June 2, 1999. It was listed on the Dhaka Stock Exchange on February 16, 2004, and on the Chittagong Stock Exchange on February 26, 2004. As of December 31, 2024, MBPLC operates through 152 branches and 45 sub-branches. In addition to core commercial banking, it offers Off-shore Banking, Islamic Banking Window operations, Agent Banking, and Mobile Banking services. The bank has three fully consolidated subsidiaries, contributing to its diversified business model: <ul style="list-style-type: none">• Mercantile Bank Securities Limited (MBSL): Established on

		<p>June 27, 2010, and operational from September 14, 2011, MBSL is licensed by the Bangladesh Securities and Exchange Commission (BSEC) as a stock dealer and broker. It facilitates trading in securities listed on the Dhaka and Chittagong stock exchanges, or those approved by BSEC, and provides margin loan facilities to clients.</p> <ul style="list-style-type: none"> • Mercantile Exchange House (UK) Limited: A wholly-owned subsidiary incorporated in England and Wales on December 1, 2010, and operational from December 6, 2011. It offers fast, secure remittance services to Bangladeshi expatriates in the UK. • MBL Asset Management Limited: Commenced operations on January 30, 2020, under the BSEC (Mutual Fund) Rules, 2001. Its focus includes mutual fund and portfolio management, capital market operations, issue management, and related financial services, both domestic and international.
(c)	Any restriction, or other major impediments, on transfer of funds or regulatory capital within the group.	Not applicable.
Quantitative Disclosures		
(d)	The aggregate amount of surplus capital of insurance subsidiaries (whether deducted or subjected to an alternative method) included in the capital of the consolidated group.	Not applicable.

B. Capital Structure

	Qualitative Disclosures
(a)	<p>Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in CET 1, Additional Tier 1 and Tier 2.</p> <p>Under the Basel III framework, the regulatory capital of Mercantile Bank PLC (MBPLC) comprises two primary tiers: Tier-1 (going-concern) Capital and Tier-2 (gone-concern) Capital. Tier-1 is further divided into Common Equity Tier-1 (CET-1) Capital and Additional Tier-1 (AT-1) Capital.</p> <p>Bangladesh Bank prescribes specific capital requirements, including a minimum CET-1 Capital of 4.50% of total Risk Weighted Assets (RWA), a minimum Tier-1 Capital of 6.00%, and an overall Capital to Risk Weighted Assets Ratio (CRAR) of at least 10%. In line with Basel III, AT-1 Capital may be recognized up to 1.5% of RWA or 33.33% of CET-1, whichever is higher, while Tier-2 Capital is admissible up to 4.0% of RWA or 88.89% of CET-1, whichever is higher. Additionally, a Capital Conservation Buffer (CCB), introduced in 2015, must be maintained in the form of CET-1.</p> <p>To calculate eligible regulatory capital for CRAR, Bank must apply prescribed regulatory adjustments to both Tier-1 and Tier-2 Capital.</p>

Quantitative Disclosures

(b) The regulatory capital of Mercantile Bank PLC. as of December 31, 2024, is presented below, detailing both solo and consolidated figures:

(BDT in Crore)

Particulars		Solo	Consolidated
Tier-1 Capital			
A	Common Equity Tier-1 (CET-1) Capital		
	Fully Paid Up Capital	1,106.58	1,106.58
	Non-repayable Share Premium account	0.00	0.00
	Statutory Reserve	1,066.76	1,066.76
	General Reserve	248.00	248.00
	Retained Earning	3.01	35.07
	Dividend Equalization Account	4.57	4.57
	Minority Interest in Subsidiaries	0.00	10.70
	Others (If any item approved by Bangladesh Bank)	0.00	0.00
	Sub-Total (A)	2,428.91	2,471.68
	Regulatory Adjustments/Deductions from CET-1	20.37	20.37
	Total Common Equity Tier-1 (CET-1) Capital	2,408.54	2,451.31
B	Additional Tier-1 (AT-1) Capital	363.00	363.00
	Total Tier 1 Capital (A+B)	2,771.54	2,814.31
Tier-2 Capital			
	General Provision	1,103.32	1,103.32
	Subordinated Debt/Instruments	0.00	0.00
	Sub-Total	1,103.32	1,103.32
	Regulatory Adjustments/Deductions from Tier-2 Capital	0.00	0.00
	Total Tier-2 capital	1,103.32	1,103.32
	Total Eligible Capital (Tier-1+Tier-2)	3,874.86	3,917.63

(c) Regulatory Adjustments/Deductions from Capital

Particulars	Solo	Consolidated
Regulatory Adjustments/Deductions from CET-1 Capital		
Shortfall in provisions required against investment in Share (Quoted Share excluding director Equity Shares)	20.37	20.37
Regulatory Adjustments/Deductions from Tier-2 Capital		
50% of Revaluation Reserves for Fixed assets, Securities & Equity (phase-in deductions as per Basel III guideline)	0.00	0.00

(d) Total Eligible Capital

Particulars	Solo	Consolidated
Total Tier-1 Capital (CET-1 Capital + AT-1 Capital)	2,771.54	2,814.31
Total Tier-2 capital	1,103.32	1,103.32
Total Eligible Capital (Tier-1 + Tier-2)	3,874.86	3,917.63

Disclosure:

As of December 31, 2024, the Bank has a provision shortfall of BDT 1,700.86 crore, after transferring BDT 200.00 crore from pre-provision profit in accordance with Bangladesh Bank directive (Ref: ডিওএস (সিএএমএস) ১১৫৭/৮১(ডিভিডেভ) /২০২৫-৩১১২ dated May 22, 2025). Bangladesh Bank has granted a no-objection to finalizing the financial statements without full adjustment of the shortfall, in view of existing capital constraints.

C. Capital Adequacy

Qualitative Disclosures			
<p>(a) A summary discussion of the Bank's approach to assessing the adequacy of its capital to support current and future activities.</p>		<p>MBPLC assesses the adequacy of its capital to support current and future activities by adopting the Standardized Approach for computing Capital Charge for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The Total Risk Weighted Assets (RWA) of the Bank are determined by multiplying the capital charge for market risk and operational risk by the reciprocal of the minimum CRAR ratio (10% as of December 31, 2024), and then adding these figures to the sum of risk-weighted assets for Credit Risk. The resulting Total RWA serves as the denominator, with the total Eligible Regulatory Capital as the numerator, to derive the Capital to Risk Weighted Assets Ratio (CRAR).</p> <p>The Bank's CRAR, on both solo and consolidated bases, stood at 13.07% and 13.05% respectively, against a minimum requirement of 12.50% (including the Capital Conservation Buffer) as of December 31, 2024. MBPLC's policy is to manage and maintain its capital at a level that consistently exceeds the minimum Basel III requirements. The goal of the bank's capital management process is to ensure that its capital base is robust enough to absorb all material risks while simultaneously complying with all regulatory mandates.</p>	
Quantitative Disclosures			
		(BDT in Crore)	
Particulars	Solo	Consolidated	
(b) Capital Requirement for Credit Risk	2,590.36	2,608.42	
(c) Capital Requirement for Market Risk	73.50	87.69	
(d) Capital Requirement for Operational Risk	301.33	306.99	
(e) Individual Capital Ratio			
Capital to Risk Weighted Assets Ratio (CRAR)	13.07%	13.05%	
CET-1 Capital to RWA Ratio	8.12%	8.16%	
Total Tier-1 Capital to RWA Ratio	9.35%	9.37%	
Tier-2 Capital to RWA Ratio	3.72%	3.67%	
(f) Capital Conservation Buffer (2.50% of RWA)	741.30 cr.	750.78 cr.	
(g) Available Capital under Pillar-2 Requirement	168.37	163.75	

D. Credit Risk

Qualitative Disclosures			
<p>(a) The general qualitative disclosure requirement with respect to credit risk, including:</p>			
<p>i) Definition of past due and impaired (for accounting purposes);</p>		<p>As per the directives of Bangladesh Bank, all loans and advances are classified into four broad categories for the purpose of loan classification:</p> <ol style="list-style-type: none"> 1. Continuous Loan 2. Demand Loan 3. Fixed Term Loan 4. Short-Term Agricultural Credit & Micro Credit <p>1. Continuous Loan</p> <ul style="list-style-type: none"> • For CMSE (Cottage, Micro, Small Enterprises): <ul style="list-style-type: none"> ○ Sub-standard: Past due for \geq 6 months but $<$ 18 months ○ Doubtful: Past due for \geq 18 months but $<$ 30 months ○ Bad/Loss: Past due for \geq 30 months 	

	<ul style="list-style-type: none"> • For Others (Non-CMSE): <ul style="list-style-type: none"> ○ Sub-standard: Past due for ≥ 3 months but < 9 months ○ Doubtful: Past due for ≥ 9 months but < 12 months ○ Bad/Loss: Past due for ≥ 12 months <p>2. Demand Loan</p> <ul style="list-style-type: none"> • For CMSE: <ul style="list-style-type: none"> ○ Sub-standard: Past due for ≥ 6 months but ≤ 18 months ○ Doubtful: Past due for > 18 months but ≤ 30 months ○ Bad/Loss: Past due for > 30 months • For Others (Non-CMSE): <ul style="list-style-type: none"> ○ Sub-standard: Past due for ≥ 3 months but ≤ 9 months ○ Doubtful: Past due for > 9 months but ≤ 12 months ○ Bad/Loss: Past due for > 12 months <p>3. Fixed Term Loan</p> <ul style="list-style-type: none"> • For CMSE: <ul style="list-style-type: none"> ○ Sub-standard: Installment(s) overdue for ≥ 6 months but < 18 months ○ Doubtful: Installment(s) overdue for ≥ 18 months but < 30 months ○ Bad/Loss: Installment(s) overdue for ≥ 30 months • For Others (Non-CMSE): <ul style="list-style-type: none"> ○ Sub-standard: Installment(s) overdue for ≥ 3 months but < 9 months ○ Doubtful: Installment(s) overdue for ≥ 9 months but < 12 months ○ Bad/Loss: Installment(s) overdue for ≥ 12 months <p>4. Short-Term Agricultural Credit & Micro Credit</p> <ul style="list-style-type: none"> • Sub-standard: Irregular status continuing for ≥ 12 months • Doubtful: Irregular status continuing for ≥ 36 months • Bad/Loss: Irregular status continuing for ≥ 60 months <p>Any Continuous Loan, Demand Loan, or Fixed Term Loan that remains past due/overdue for 2 months or more must be placed in the Special Mention Account (SMA) category.</p>														
<p>ii) Description of approaches followed for specific and general allowances and statistical methods;</p>	<p>As per Bangladesh Bank's guideline, MBPLC maintains General and Specific provision in the following way:</p> <p>A. General Provision</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Rate (%)</th> </tr> </thead> <tbody> <tr> <td>Unclassified loans/SMA under Small and Medium Enterprise (SME)</td> <td>0.25%</td> </tr> <tr> <td>Unclassified loans/SMA (excluding Consumer Financing, Brokerage Houses, Merchant Banks, etc.)</td> <td>1%</td> </tr> <tr> <td>Unclassified loans/SMA under Consumer Financing (excluding Housing Finance & professional loans)</td> <td>2%</td> </tr> <tr> <td>Unclassified loans/SMA for Housing Finance & Loans to professionals (under Consumer Financing)</td> <td>1% – 2%</td> </tr> <tr> <td>Unclassified loans/SMA to Brokerage Houses, Merchant Banks, Stock Dealers, etc.</td> <td>2%</td> </tr> <tr> <td>Off-Balance Sheet exposures</td> <td>1%</td> </tr> </tbody> </table>	Particulars	Rate (%)	Unclassified loans/SMA under Small and Medium Enterprise (SME)	0.25%	Unclassified loans/SMA (excluding Consumer Financing, Brokerage Houses, Merchant Banks, etc.)	1%	Unclassified loans/SMA under Consumer Financing (excluding Housing Finance & professional loans)	2%	Unclassified loans/SMA for Housing Finance & Loans to professionals (under Consumer Financing)	1% – 2%	Unclassified loans/SMA to Brokerage Houses, Merchant Banks, Stock Dealers, etc.	2%	Off-Balance Sheet exposures	1%
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		<p>B. Specific Provision</p> <p>For Classified Continuous, Demand, and Fixed Term Loans</p> <table border="1"> <thead> <tr> <th>Classification</th><th>CSME Rate (%)</th><th>Other than CSME Rate (%)</th></tr> </thead> <tbody> <tr> <td>Sub-standard</td><td>5%</td><td>20%</td></tr> <tr> <td>Doubtful</td><td>20%</td><td>50%</td></tr> <tr> <td>Bad/Loss</td><td>100%</td><td>100%</td></tr> </tbody> </table> <p>For Short-Term Agricultural and Micro-Credits</p> <table border="1"> <tr> <td>All credits (except Bad/Loss)</td><td>5%</td></tr> <tr> <td>Bad/Loss</td><td>100%</td></tr> </table>	Classification	CSME Rate (%)	Other than CSME Rate (%)	Sub-standard	5%	20%	Doubtful	20%	50%	Bad/Loss	100%	100%	All credits (except Bad/Loss)	5%	Bad/Loss	100%																														
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	iii) Discussion of the Bank's credit risk management policy	The Bank has adopted a robust and multi-dimensional approach to managing credit risk. Key strategies include fostering a strong risk awareness culture and operating under a Board-approved Credit Policy. A dedicated Credit Risk Management Division is supported by a Law and Recovery Division and specialized Recovery Teams led by senior executives. Internal controls are strengthened through an independent audit function with direct access to the Board and Audit Committee. The Bank emphasizes credit quality and portfolio diversification, employs an early warning system to detect potential defaults, and applies prudent provisioning and interest suspension practices. A structured, risk-based credit approval process—guided by counterparty credit ratings—supports sound lending decisions. Additionally, a comprehensive Non-Performing Loan (NPL) management system underpins its overall credit risk mitigation framework.																																														
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		Islamic Banking	
		Quard	4.15
		Bai-Muajjal	720.24
		Murabaha-TR (PIF)	16.89
		HPSM-Others-Croporate	97.78
		Loan against Non-banking Assets	
		Loan against Non-banking Assets	0.29
		Bill Purchased and Discounted	
		Payable in Bangladesh	197.86
		Payable outside Bangladesh	736.27
		Total	30,002.51
(c)	Geographical distribution of exposure, broken down in significant areas by major types of credit exposure	Geographical Distribution of total exposure as on December 31, 2024 is as under:	
		Particulars	BDT in Crore
		Urban	
		Dhaka Division	21,378.46
		Chattogram Division	4,711.07
		Rajshahi Division	1,683.95
		Sylhet Division	95.09
		Khulna Division	300.87
		Rangpur Division	442.19
		Barisal Division	282.35
		Mymensingh Division	44.39
		Sub-Total (A)	28,938.38
		Rural	
		Dhaka Division	443.03
		Chattogram Division	487.18
		Rajshahi Division	97.09
		Sylhet Division	1.54
		Khulna Division	-
		Rangpur Division	19.45
		Barisal Division	15.84
		Mymensingh Division	-
		Sub-Total (B)	1,064.13
		Grand Total (A+B)	30,002.51
(d)	Industry or counterparty type distribution of exposures, broken down by major types of credit exposure	Industry or counterparty type distribution of exposures, broken down by major types of credit exposure as on December 31, 2024 is as under:	
		Particulars	BDT in Crore
		Education (School/College, University, Research institute)	56.45
		Health	61.79
		Agriculture	574.89
		Commodities (Sugar/ Edible Oil/ Wheat/ Rice/ Dal/ Peas/ Maize etc), Food & Beverage	3,095.29
		Trade Finance	4,011.08
		Transport	140.95
		Shipping	1.28
		Textile (Excluding IDBP)	2,070.31
		Textile (IDBP)	76.67
		Readymade Garments (RMG) [excluding IDBP]	4,952.93
		Readymade Garments (RMG) [IDBP]	4.07

		Tele Communication	114.90
		IT & Computer/Trade	26.38
		Power & Fuel	805.97
		Real Estate	895.30
		Cement	182.09
		Chemicals	696.95
		Leather & Leather Products	607.14
		Plastic & Plastic Products	84.74
		Electrical & Electronic Goods	466.76
		Paper & Packaging	705.98
		Jute & Jute Products	504.21
		Ceramics (Table ware, Sanitary ware, Tiles etc.)	138.38
		Iron & Steel	3,094.65
		Engineering & Construction	944.03
		Contractor Finance	541.17
		Capital Market Intermediaries	156.66
		Backward Linkage	364.45
		Consumer & Retail Products	908.87
		NBFI	1,181.94
		Service (Hotel, Restaurant, Travelling, Tickets, etc.)	441.46
		Others	2,094.47
		Loan against Non-banking Assets	0.29
		Total	30,002.51
(e)	Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure	Residual contractual maturity breakdown of total exposure as on December 31, 2024 is as under:	
		Repayable on Demand	6,429.37
		Not more than 3 (three) months	3,389.38
		More than 3 (three) Months but not more than 1 (one) year	6,339.30
		More than 1 (one) year but not more than 5 (five) years	9,223.87
		More than 5 (five) years	4,620.59
		Total	30,002.51
(f)	By major industry and counter party type:		
	i) Amount of impaired loans and if available, past due loans, provided separately	Impaired Loan (or classified Loan) under 4 (four) broad categories as on December 31, 2024 is as under:	
		Particulars	BDT in Crore
		Continuous Loan	1,226.27
		Demand Loan	470.79
		Term Loan	3,478.78
		Short Term Agro Credit and Micro Credit	0.32
		Total	5,176.17
	ii) Specific and general provisions; and	As per Bangladesh Bank's guidelines, the specific and general provisions maintained as of December 31, 2024, are summarized below:	
		Particulars	BDT in Crore
		General Provision (including SMA & OBU)	971.13
		Specific Provision (SS, DF, Bad/Loss)	1,144.78
		Provision for Off-balance Sheet Exposure	132.19

	iii) Charges for specific allowances and charge-offs during the periods	During 2024, the Bank maintained provisions on unclassified, classified, and off-balance sheet exposures in accordance with Bangladesh Bank guidelines:
		Particulars
		BDT in Crore
		Provision against Un Classified Loans (125.65)
		Provision against Classified Loans 544.37
		Other Provision (Off Balance Sheet Items) 8.78
g)	Gross non-performing assets (NPAs):	Gross non-performing assets as on December 31, 2024 is as under
		Particulars
		BDT in Crore
		Gross non-performing assets (NPAs):
		Non-performing Assets (NPAs) to Outstanding Loans & Advances 17.25%
		Movement of Non Performing Assets
		Opening balance 1,731.33
		Increase/(decrease) 3,444.83
		Closing Balance 5,176.17
		Movement of specific provisions for NPAs
		Opening balance 639.54
		Fully Provided Debts written off (283.97)
		Recoveries of amount from pre-written off 75.61
		Special Provision for the year 168.96
		Provisions made during the period 544.37
		Write-back of excess provisions -
		Special provision against NBA 0.27
		Closing Balance 1,144.78

E. Equities: Disclosure for Banking Book Positions

Qualitative Disclosures	
(a)	The general qualitative disclosure requirement with respect to equity risk, including:
	Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons. MBPLC holds equity shares primarily for two purposes: to realize capital gains and to serve strategic or relationship-based objectives, such as equity participation and portfolio diversification. For example, the Bank maintains a directorship in IDLC Finance Ltd., where the investment is driven more by strategic alignment than by short-term capital appreciation. Equity investments are categorized into Quoted Securities —traded in secondary markets and held in the trading book—and Unquoted Securities , which are not publicly traded and are classified under the banking book.
	Discussion of important policies covering the valuation and accounting of equity holdings in the banking book. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in the practices. Quoted shares are initially recorded at cost. At each quarter-end, if the total cost of the quoted equity portfolio exceeds its market value, a provision is made for the shortfall in accordance with regulatory requirements. Unquoted shares are valued at cost or at book value, whichever is lower, based on the latest audited financial statements.

Quantitative Disclosures			(BDT in Crore)	
Particulars		Solo	Consolidate	
(b)	Value disclosed in the balance sheet of investment, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.			
	• Quoted shares	114.90	249.33	
(c)	The cumulative realized gain (losses) arising from sales and liquidations in the reporting periods.		1.12	1.38
	• Realized gain (losses) from equity investments			
(d)	Total unrealized gains (losses)		12.37	11.64
	Total latent revaluation gains (losses)		0.00	0.00
	Any amount of the above included in tier 2 Capital		0.00	0.00
(e)	Market value of investment in equities as on December 31, 2024		127.26	198.24
	Specific Risk- Capital Requirement is 10% of the said value		12.73	19.82
	Market value of investment in equities as on December 31, 2024		127.26	198.24
	General Risk- Capital Requirement is 10% of the said value		12.73	19.82

F. Interest rate risk in the banking book (IRRBB)

Qualitative Disclosures				
(a)	The general qualitative disclosure requirement including the nature of IRRBB and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits, and frequency of IRRBB measurement.	Interest Rate Risk in the Banking Book (IRRBB) fundamentally arises from mismatches between the future yield generated by a Bank's assets and the corresponding funding costs of its liabilities. The Assets Liability Committee (ALCO) at MBPLC is responsible for continuously monitoring interest rate movements. MBPLC assesses its interest rate risk using the Duration Gap approach. A positive Duration Gap implies that the bank's assets are more sensitive to interest rate changes than its liabilities, meaning a rise in interest rates would negatively impact profitability. Conversely, a negative Duration Gap indicates that a decline in interest rates would enhance profitability, as liabilities reprice faster than assets.		
Quantitative Disclosures				
(b)	The increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant)	Increase of Interest Rate will affect the Bank in the following ways:		
		Particulars		
		Magnitude of Shock	Minor Shock	Moderate Shock
		1%	2%	3%
		Duration Gap (Years)	1.13	1.13
		Total Regulatory Capital (BDT in Cr.)	3,874.86	3,874.86
		Risk Weighted Assets (BDT in Cr.)	29,651.83	29,651.83
		CRAR	13.07%	13.07%
		Revised Capital (After Shock)	3,362.98	2,851.09
		Revised RWA	26,175.20	26,175.20
		Revised CRAR (%)	12.85%	10.89%
				8.94%

G. Market Risk

Qualitative Disclosures	
(a) Views of BOD on trading/investment activities	Market Risk refers to the potential losses arising from fluctuations in key market variables such as interest rates, exchange rates, and asset prices, impacting both on- and off-balance sheet positions. MBPLC's total capital requirement for market risk is the sum of capital charges for interest rate risk, equity position risk, foreign exchange risk, and commodity risk. The Bank's Board of Directors (BOD) approves all market risk policies and guidelines, regularly sets limits, and monitors compliance to ensure effective risk mitigation.
Methods used to measure Market risk	For calculating market risk on its trading book, the Bank uses the Standardized (rule-based) Approach. Under this method, capital charges for interest rate risk, equity position risk, foreign exchange risk, and commodity risk are calculated separately. MBPLC's total market risk capital charge is the sum of specific and general risk components for interest rate and equity positions, plus the general risk components for foreign exchange and commodity exposures.
Market Risk Management system	The Market Risk Management system is primarily overseen by the Treasury and International Divisions, with active support from the Asset Liability Committee (ALCO) and the Asset Liability Management (ALM) Desk.
Policies and Processes for mitigating market risk	<p>The Bank's market risk mitigation policies and processes are formally established and approved by the Board of Directors. These policies cover critical areas such as Loan Deposit Ratio, Wholesale Borrowing Guidelines, Medium-Term Funding, Maximum Cumulative Outflow, Liquidity Contingency Plan, and compliance with local regulations.</p> <ul style="list-style-type: none"> Interest Rate Risk Management: The Treasury Division continuously monitors the impact of market interest rate fluctuations on the bank's income, aiming to minimize mismatches between the durations of interest rate-sensitive assets and liabilities. The Asset Liability Committee (ALCO) conducts monthly Gap Analyses, calculating the difference between Rate Sensitive Assets and Liabilities, to guide adjustments based on market conditions and mitigate interest rate risk. Foreign Exchange Risk Management: Managed jointly by the Treasury and International Divisions, foreign exchange risk arises from earnings volatility due to exchange rate fluctuations or adverse market positions. ALCO supervises daily trading activities, while the Treasury Division monitors price changes. The Treasury Back Office operates independently from the Front Office, ensuring separation of duties by verifying deals, monitoring limits, and sourcing market rates independently to prevent conflicts of interest and enhance internal controls. All foreign exchange reserves and approved securities are revalued using Mark-to-Market as per Bangladesh Bank guidelines. Nostro accounts, maintained across various currencies and countries, undergo monthly reconciliation, with overdue transactions reviewed for timely settlement.

		<ul style="list-style-type: none"> Equity Risk Management: The Bank manages equity risk—the risk of loss from adverse market price changes—through Mark-to-Market valuation of the investment portfolio against predefined cut-loss limits. Portfolio diversification is practiced in line with the investment policy to minimize exposure. Additionally, margin loans are carefully managed by assessing the security, liquidity, and reliability of underlying assets, with ongoing professional monitoring of associated risks. 	
Quantitative Disclosures		(BDT in Crore)	
Capital requirement for:	Particulars	Solo	Consolidate
	Interest Rate Risk	32.04	32.04
	Equity Position Risk	25.45	39.65
	Foreign Exchange Risk	16.01	16.01
	Commodity Risk	0.00	0.00
	Total Capital Requirement for Market Risk	73.50	87.69

H. Operational Risk

Qualitative Disclosures		
(a)	Views of BOD on system to reduce Operational Risk	The Board of Directors of MBPLC places strong emphasis on minimizing operational risk through robust systems and governance frameworks. All relevant policies, including those related to Internal Control, Compliance, and Board Audit, are formally approved by the Board. The Audit Committee directly supervises the internal control and compliance functions to proactively identify and address lapses or irregularities that may pose significant operational risks. Operational risk, which includes legal risk but excludes strategic and reputational risks, covers areas such as transaction processing, operational controls, technology and systems, physical and logical security, and risks arising from outsourcing arrangements.
	Performance gap of executives and staffs	The Board is committed to offering competitive and attractive remuneration to its executives and staff. The bank's recruitment policy focuses on hiring fresh graduates from reputable universities and developing their skills through comprehensive training programs to build high-quality talent. Its strong reputation as a leading institution boosts employee morale. A supportive and collaborative work environment is cultivated to encourage teamwork and alignment with organizational goals. Continuous investment in talent development and performance enhancement underscores the bank's dedication to strengthening its human capital.
	Potential external events	No potential external events that could significantly impact operational risk have been detected at the time of reporting the capital accord.
	Policies and processes for mitigating operational risk	To address these risks, the bank has implemented an Operational Risk Management Framework aimed at establishing a robust and well-controlled operational environment.
	Approach for calculating capital charge for operational risk	MBPLC calculates its capital charge for operational risk using the Basic Indicator Approach (BIA). Under this method, the capital charge is set at 15% of the average positive annual gross income over the previous three years.

Quantitative Disclosure			
	Particulars	Solo	Consolidate
(b)	Capital requirements for Operational Risk	301.33	306.99

I. Liquidity Ratio

Qualitative Disclosures		
(a)	Views of BOD on system to reduce Liquidity Risk	The Board of Directors of Mercantile Bank PLC. places strong emphasis on minimizing liquidity risk. This is achieved through strict adherence to regulatory requirements, including the ongoing maintenance of the Cash Reserve Ratio (CRR) and Statutory Liquidity Reserve (SLR). In line with Basel III guidelines, the bank also diligently maintains the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), under the direct supervision of the Board.
	Methods used to measure Liquidity Risk	MBPLC employs several methods to measure liquidity risk, including regular GAP analysis to identify mismatches between assets and liabilities across defined time buckets (e.g., 0–30 days, 31–90 days, etc.). These analyses are presented in monthly ALCO papers and guide strategic decisions to mitigate liquidity risk. Additionally, cash flow forecasting is used to assess potential future mismatches, further strengthening the bank's liquidity risk management framework.
	Liquidity Risk Management System	As part of its liquidity risk management framework, MBPLC has a Board-approved Liquidity Contingency Plan outlining strategic actions to address potential liquidity crises. In compliance with Bangladesh Bank's ALM guidelines, the plan is reviewed annually and re-approved by the Board.
	Policies and processes for mitigating Liquidity Risk	The Bank operates under comprehensive, Board-approved liquidity risk mitigation policies, which are also subject to annual review and approval.

Quantitative Disclosure

(BDT in Crore)

Liquidity Coverage Ratio (LCR)	165.18%
Net Stable Funding Ratio (NSFR)	105.81%
Stock of High quality liquid assets	9,385.17
Total net cash outflows over the next 30 calendar days	5,681.78
Available amount of stable funding	34,617.70
Required amount of stable funding	32,715.70

J. Leverage Ratio

Qualitative Disclosures		
(a)	Views of BOD on system to reduce excessive leverage	Leverage is a fundamental aspect of modern banking, where banks not only operate as highly leveraged institutions themselves but also enable leverage for others. It reflects the extent to which a bank finances its assets through debt rather than equity. While leverage can enhance returns, excessive reliance on debt increases financial risk. Recognizing this, the Board of Directors emphasizes the importance of maintaining prudent controls to ensure a healthy balance between debt and equity. The Board is committed to keeping the bank's leverage

		ratio at or above regulatory thresholds to strengthen financial stability and public confidence.
	Policies and processes for mitigating excessive on and off balance sheet leverage	The leverage ratio functions as a non-risk-based safeguard, acting as a critical backstop to the risk-based capital framework and helping to contain excessive leverage. It serves two key purposes: preventing the undue accumulation of leverage and reinforcing risk-based requirements through a straightforward, transparent metric. In line with Basel III, banks are required to maintain a minimum Tier 1 leverage ratio of 3% on both solo and consolidated bases. MBPLC strictly complies with all regulatory requirements related to capital adequacy, liquidity, commitments, Advance-Deposit Ratio (ADR), Maximum Cumulative Outflow (MCO), large exposures, and broader risk management practices. These measures collectively ensure that the inherent leverage of the banking model is managed prudently and in alignment with the standards set by Bangladesh Bank.
	Approach for Calculating exposure	The exposure measure for calculating the leverage ratio is determined by dividing Tier 1 capital (the numerator) by total exposure (the denominator), which includes both on-balance sheet and off-balance sheet (OBS) items after applicable deductions. Tier 1 capital is used after incorporating all regulatory deductions. To maintain consistency with financial reporting, on-balance sheet non-derivative exposures are presented net of specific provisions and valuation adjustments. However, exposures are not reduced by physical or financial collateral, guarantees, or purchased credit risk mitigants, nor is netting of loans and deposits allowed. OBS exposures are converted using a uniform 100% Credit Conversion Factor (CCF), except for unconditionally cancellable commitments, which are subject to a 10% CCF.

Quantitative Disclosure

(BDT in Crore)

Particulars	Solo	Consolidated
Leverage Ratio	5.46%	5.51%
On balance sheet exposure	43,324.25	43,613.61
Off balance sheet exposure	7,498.17	7,498.17
Total exposure (After deduction from On and Off balance sheet exposure)	50,802.05	51,091.41

K. Remuneration

Qualitative Disclosures		
(a)	Information relating to the bodies that oversee remuneration.	The Human Resources Division (HRD) at the Head Office of MBPLC is responsible for managing remuneration under the direct supervision of the Managing Director. The remuneration policy is periodically approved by the Board of Directors or its Executive Committee. The HRD comprises 11 officials—3 executives and 8 officers, including the Divisional Head—and does not engage external consultants for formulating the policy. A uniform remuneration structure is maintained across the organization, ensuring equal pay for the same grade. The Remuneration

		Committee also oversees remuneration practices across the bank's three subsidiaries: Mercantile Bank Securities Limited (MBSL), Mercantile Exchange House (UK) Limited, and MBL Asset Management Limited. Senior management and all heads of business units (branches and divisions) are designated as material risk-takers within the bank. Remuneration oversight meetings are convened on an as-needed basis to review and ensure alignment with risk management objectives.
(b)	Information relating to the design and structure of remuneration processes.	MBPLC has adopted a flexible compensation and benefits structure aimed at ensuring pay equity and aligning rewards with employee performance. All employees receive competitive remuneration, with periodic reviews based on organizational performance and inflationary trends. The Board of Directors approves the pay scales, which include components such as Basic Pay, House Rent, Medical and Conveyance Allowances, House Maintenance, Utility, and Leave Fare Assistance. Beyond regular compensation, employees are also entitled to a range of financial benefits during their tenure and upon retirement.
(c)	Description of the ways in which current and future risks are taken into account in the remuneration processes.	Key remuneration risks include national economic conditions, bank performance, peer market benchmarks, employee turnover, and retention strategies.
(d)	Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.	All officials are evaluated through a three-part Performance Appraisal Form, and KPIs have been introduced for employees, branches, and divisions.
(e)	Description of the ways in which the bank seek to adjust remuneration to take account of longer-term performance.	The bank maintains a flexible, equitable compensation system aligned with economic conditions and performance, emphasizing long-term employee growth. Key benefits include Provident, Gratuity, and Welfare Funds, along with 6 months' maternity leave and up to 3 years of study leave for higher education.
(f)	Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms.	MBPLC's compensation and benefits strategy aims to foster a high-performance culture while ensuring market competitiveness through a strong employee value proposition. Basic pay is benchmarked against industry standards, and employees receive a comprehensive mix of financial and non-financial benefits. These include annual increments, fair promotions, bonuses, travel allowances, and long-term benefits such as Gratuity, Provident Fund, and Disability coverage. Additional offerings include Leave Fare Assistance, executive car loans and allowances, housing loan schemes, retirement benefits, welfare fund support, training (domestic and international), career development opportunities, a positive work environment, healthcare facilities, and privileged-rate loan access..
Quantitative Disclosures		
(g)	Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.	Meeting regarding overseeing the remuneration was held on need basis.
(h)	Number of employees having received a variable remuneration award during the financial year.	233 employees having received variable remuneration award during the financial

		year 2024.											
	Number and total amount of guaranteed bonuses awarded during the financial year.	2 incentive bonuses and 2 festival bonuses are awarded during the financial year 2024.											
	Number and total amount of sign-on awards made during the financial year.	Nil											
	Number and total amount of severance payments made during the financial year.	Nil											
(i)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	Nil											
	Total amount of deferred remuneration paid out in the financial year.	Nil											
(j)	Breakdown of amount of remuneration awards for the financial year to show: - fixed and variable. - deferred and non-deferred. - different forms used (cash, shares and share linked instruments, other forms).	Breakdown of amount of remuneration awards for the financial year 2024; (BDT in Crore)											
		<table border="1"> <tr> <td>Basic salary</td> <td>188.51</td> </tr> <tr> <td>Allowances</td> <td>163.22</td> </tr> <tr> <td>Bonus</td> <td>46.56</td> </tr> <tr> <td>Provision for Gratuity</td> <td>25.00</td> </tr> <tr> <td>Provident fund contribution</td> <td>18.57</td> </tr> <tr> <td>Total</td> <td>451.86</td> </tr> </table>	Basic salary	188.51	Allowances	163.22	Bonus	46.56	Provision for Gratuity	25.00	Provident fund contribution	18.57	Total
Basic salary	188.51												
Allowances	163.22												
Bonus	46.56												
Provision for Gratuity	25.00												
Provident fund contribution	18.57												
Total	451.86												
		Nil											
		Bank Account Transfer											
(k)	Quantitative information about employees' exposure to implicit (eg fluctuations in the value of shares or performance units) and explicit adjustments (eg claw backs or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration:												
	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.	Nil											
	Total amount of reductions during the financial year due to ex post explicit adjustments.	Nil											
	Total amount of reductions during the financial year due to ex post implicit adjustments.	Nil											